

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Poultry and Products Annual

Approved By:

M. Melinda Meador

Prepared By:

Andrea Yankelevich

Report Highlights:

Post forecasts 2019 chicken meat production to remain stable at 2.18 million metric tons. Despite challenging economic and supply conditions, 2019 Argentine exports of chicken meat are projected to increase by 12 percent to 210,000 MT driven by rising demand from South Africa, Chile, and China and new market access to Mexico and Canada.

Production:

Argentina's poultry sector consists solely of chicken production. The Argentine chicken production sector is largely comprised of domestic, family-owned enterprises with negligible foreign investment. Nevertheless, investment amongst the domestic players in greater vertical integration in the Argentine poultry sector has resulted in plant and equipment modernization that is producing gains in product efficiency, quality, standardization and tighter traceability.

Over 80 percent of the country's chicken meat production is processed in 58 federally inspected plants. The remaining production is attributed to smaller companies whose production is approved and controlled by provincial authorities for local sale only.

Post forecasts 2019 chicken meat production as stable at 2.18 million metric tons (MMT) as stagnant domestic consumption dominates forecast export growth. As domestic demand has historically consumed approximately 90 percent of the Argentine chicken meat production, domestic preferences and purchasing power are highly influential factors in production decisions. Consumption has remained flat since 2012 (see graph 1). High inflation and stagnant real wages are expected to temper demand in the near future due to a continuing loss in consumer purchasing power. Production gains attributable to exports remain modest due to economic and supply challenges for Argentine producers. (see Trade section below)

Graph 1. Projection of Argentine Chicken Meat Production and Domestic Consumption 2003 - 2025
(in million tons)



Note: Red data series represents consumption and blue data series represents production.

Source: *Centro de Empresas Procesadoras Avícolas (CEPA)*

In addition to production demand influences from consumer difficulties, Argentine producers are also experiencing challenges from escalating inflationary costs. Feed supply costs for items such as corn and

soybeans, that represent 40 percent of production costs, continue to rise as strong export movement in these sectors raise domestic prices. In addition, industry sources report that other operational costs, including utilities and labor, along with supply chain expenses such as value-added taxes, continue to constrain profitability and limit investment. However, in a bid to provide some relief to the poultry sector, the Argentine government lowered the overall value-added tax from 21 to 10.5 percent in May 2018.

2018

2018 production is revised up to 2.175 million tons, representing a 1.1 percent increase from 2017. Although four companies had limited production during the first six months of the year due to tight margins or negative returns, production levels are expected to recover during the usually more robust purchasing period of August-December for an overall net production gain.

2017

2017 production is revised to 2.15 million tons from 2016 based on updated government and industry estimates.

Consumption:

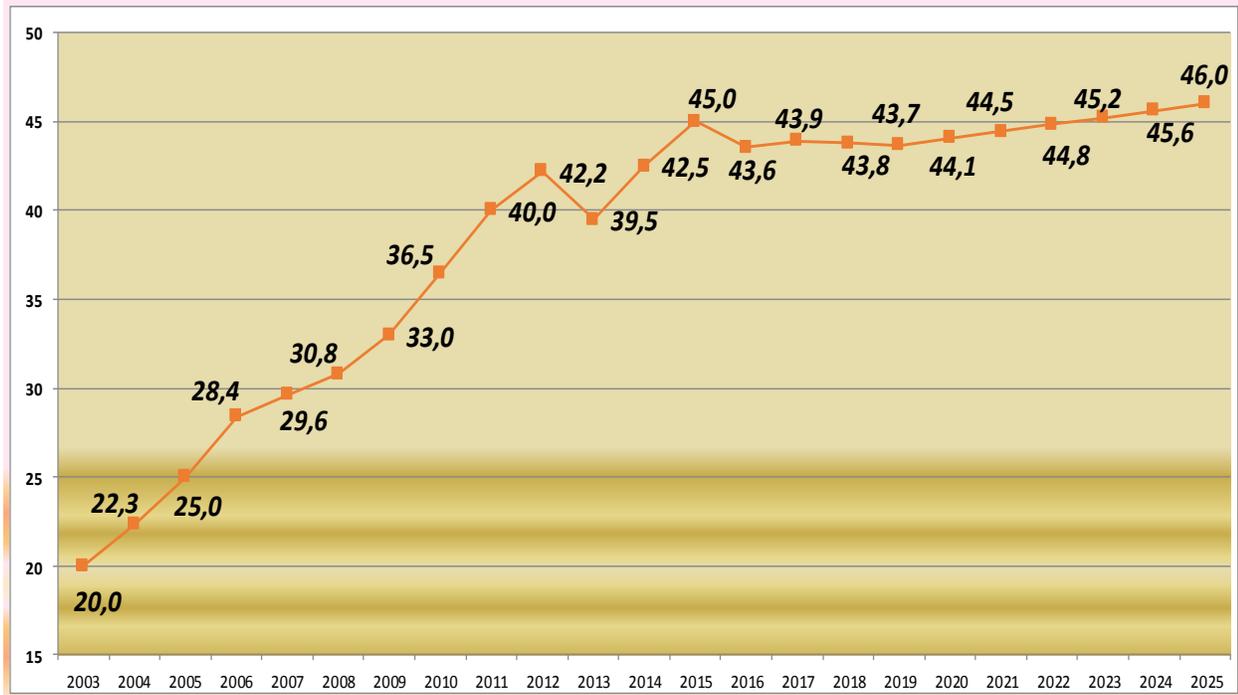
Post forecasts 2019 domestic consumption of chicken meat down by 1 percent to 1.976 MMT, reducing per capita consumption to 43.8 kilograms (kg). Several factors, including diminishing purchasing power and growing trend toward alternative proteins, such as pork and seafood, have contributed to a declining chicken meat consumption. Despite higher prices, consumers also continue to favor beef over poultry reflecting a strong cultural preference.

For the past 5 years, pork consumption has grown by an average of 10 percent per annum and 65 percent in total with present per capita consumption at 17 kg. One source estimated that per capita consumption of pork could grow by 1 kg annually over the next five years providing significant competition to chicken meat consumption. The estimated protein per capita annual intake in Argentina currently is 57 kg of beef, 44 kg poultry (see graph 2), 17 kg pork, 7 kg fish, and 1.5 kg lamb.

2018 poultry meat consumption is forecast up by 0.8 percent from 1.798 MMT in 2017 to 1.994 MMT, delivering per capita consumption of 44.6 kg.

Graph 2. 2003- 2025 Per Capita Domestic Chicken Meat Consumption

(Kg/percapita/per year)



Source: CEPA

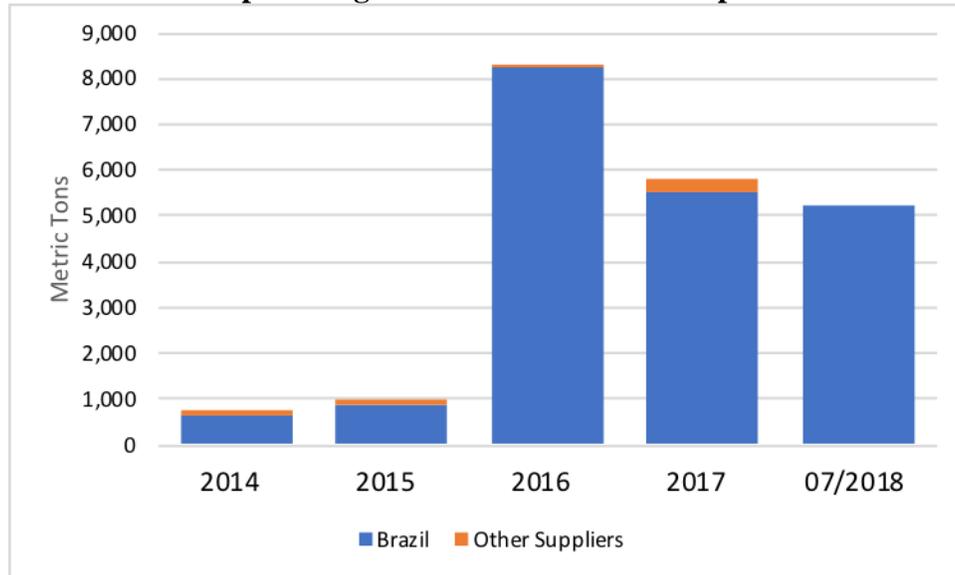
Industry reports that 70 percent of poultry purchased by Argentine consumers are whole broilers. Argentine broilers for the domestic market are slaughtered at 49-51 days with a carcass weight between 2.2 – 2.4kg. Consumers purchases reflect a growing interest in parts/processed chicken meat with some minor processing, such as marinating and/or breading. Industry contacts report that further processed value-added products, such as pre-cooked meals, frozen chicken meals, chicken nuggets and chicken burgers, also represent market sector growth opportunities.

Trade:

Imports

Argentina has historically imported a low volume of chicken meat. In 2017, Argentine chicken meat imports totaled 5,822 tons of which 5,512 tons were Brazilian origin.

Graph 3. Argentina –Chicken Meat Imports



Source: Global Trade Atlas

Exports

Externally, despite currency movements that have made Argentine exports more competitive in the global market, Brazil exports continue to undercut Argentina prices due to a more competitive exchange rate and lower production costs due to larger economies of scale.

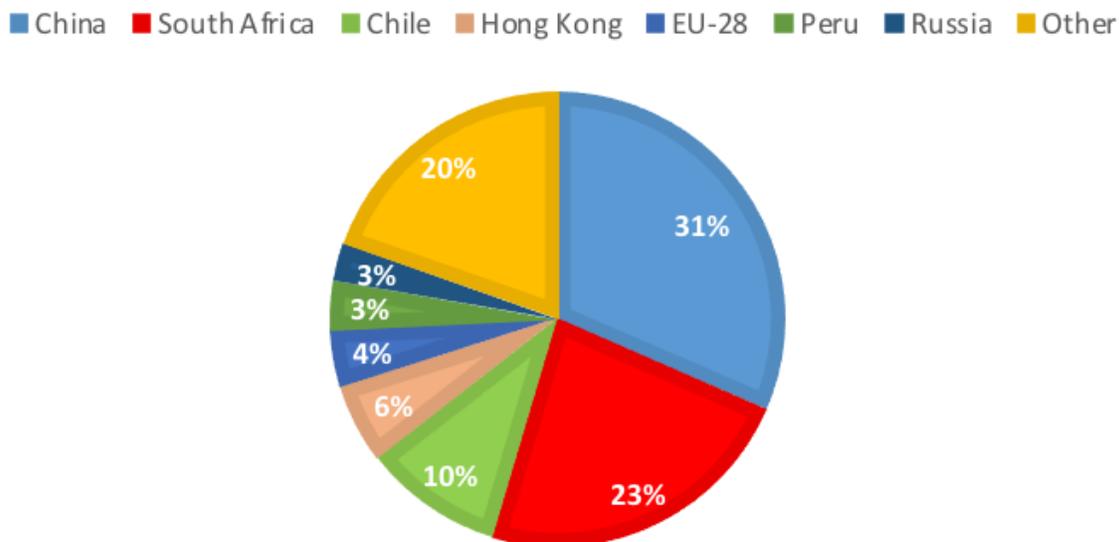
2019 Argentine exports of chicken meat are projected to increase by 12 percent to 210,000 MT. The depreciation of the local currency since May 2018 has improved the competitiveness of the export sector in global markets. Furthermore, new market access to Mexico and Canada is expected to increase future export demand as will rising import growth to South Africa, Chile, and China. Mexico's recent report of avian influenza could further stimulate Argentine imports with one industry contact estimating that it could import 30,000 tons from Argentina on an annual basis.

Despite these positive signals, Argentina's chicken meat exports face some challenging circumstances. The global glut in chicken meat supplies and the decline in purchases from oil-producing countries in the Middle East and Africa (which represent one-third of Argentina's exports) have delivered a difficult situation for local exporters. Furthermore, the fluctuating exchange rate of the Argentine peso continues to be a key factor affecting its competitiveness in foreign markets, especially in competition with Brazilian chicken meat exports that benefit from larger economies of scale and a competitive exchange rate, particularly after the Brazilian real experienced a depreciation of over 30 percent.

2018 exports are expected to rise by 5 percent to 187,000 tons. Per Graph 4, Argentina's main markets for the first half of 2018 were China (32 percent) South Africa (23 percent), Chile (10 percent), Hong Kong (6 percent), and Peru (3 percent). Over 72 percent of shipments are composed of parts, 27 percent of whole chicken, and 1 percent of prepared products. Industry sources report significant interest by many processors to develop more value-added operations, particularly Halal, to service the preferences of consumers in

Middle-East markets.

Graph 4. Argentina Chicken Meat Export Destinations



Source: Global Trade Atlas

Policy:

At present, there are no new significant policy developments. The sector was successful in obtaining the long-expected reduction of the value-added tax from 21 percent to 10.5 percent in May 2018

Statistical Table:

Meat, Chicken	2017	2018	2019
Market Begin Year	Jan 2017	Jan 2018	Jan 2019
Argentina	New Post	New Post	New Post
Inventory (Reference)	0	0	0
Slaughter (Reference)	0	0	0
Beginning Stocks	0	0	0
Production	2150	2175	2180
Total Imports	6	6	6
Total Supply	2156	2181	2186
Total Exports	178	187	210
Human Consumption	1978	1994	1976
Other Use, Losses	0	0	0
Total Dom. Consumption	1978	1994	1976
Total Use	2156	2181	2186
Ending Stocks	0	0	0
Total Distribution	2156	2181	2186

